"The City of Heritage"

Ulundi
Local Municipality

Supply Chain Management Policy

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1. *DEFINITIONS*

1.1 In this Supply Chain Management Policy, unless the context indicates otherwise;

TERM	DETAIL
"Adjudication points"	: means the points for price and points for B-BBEE contribution referred to the Preferential Procurement section of this policy, also referred to as "evaluation points".
"All applicable taxes"	: include value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
"Asset"	: means a tangible or intangible resource capable of ownership.
"B-BBEE"	: means broad-based black economic empowerment as defined in section 1 of the Broad- Based Black Economic Empowerment Act.
"B-BBEE Status Level of Contributor"	: means the B-BBEE status received by a measure entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Empowerment Act.
"Bid"	: means a written offer in a prescribed or stipulated form on response to an invitation by the Ulundi Local Municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals.
"Bidder"	: means a person submitting a competitive bid or a quotation.
"Broad-Based Black Economic Empowerment Act"	: means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Codes of Good Practice pertaining thereto.
"Capital Asset":	means: (a) any immovable asset such as land, property or buildings; or (b) any movable asset that can be used continuously or repeatedly for more than one year in the production or supply goods or services, for rental to others or administrative purposes, and from which future benefit can be derived, such as plant, machinery and equipment.
"Ulundi Local Municipality"	: means the municipality of Ulundi district or any person(s) or committee delegated with the authority to act on its behalf.
"Ulundi Local Municipal Manager"	: means the Municipal Manager as defined in the Municipal Finance Management Act.
"Closing time"	: Means the time and day specified in the bid documents for the receipt of bids.
"Comparative Price"	: means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration.
"Competitive Bidding Process"	: Means a competitive bidding process referred to in Regulation 12 (1) (d) of the Supply Chain Management Regulations.

TERM	DETAIL
"Competitive Bid"	: means a bid in terms of a competitive bidding Process.
"Community Based Vendor"	: means a supplier of goods, services and/or construction works who resides in a target area or community, who meets the criteria for community based vendors as determined by the Chief Financial Officer from time to time, and who is registered as such on the Ulundi Local Municipality's Supplier database.
"Consortium"	: Also referred to as a "Joint Venture" (see clause 1.39Below).
"Construction Industry Development Board (CIDB) Act"	: means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.
"Construction Works"	*:* means any work in connection with: (a) The erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any. Similar structure; (b) the installation, erection, dismantling or maintenance of a Fixed plant; (c) the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or (d) The moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.
"Consultant"	: Means a person or entity providing services requiring Knowledge based expertise, and includes professional service Providers.
"Contract"	: means the agreement which is concluded when the Ulundi Local Municipality accepts, in writing, a competitive bid or quotation submitted by a Supplier.
"Contractor"	: means any person or entity whose competitive bid or Quotation has been accepted by the Ulundi Local Municipality.
"Contract participation goal"	: the value of the participation of a Specific target group that a contractor must achieve in the performance of a contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.
"Day(s)"	: means calendar days unless the context indicates otherwise.
"Delegated Authority"	: means any person or committee delegated with authority by the Ulundi Local Municipality in terms of the provisions of the Municipal Finance Management Act.
"Designated sector"	*:* means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with National development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.
"Evaluation of Bids"	*:* in respect of bids that *exceed* R200,000, shall be deemed to take place when the Bid Evaluation Committee meets to make a recommendation to

TERM	DETAIL
	the Bid Adjudication Committee.
"Evaluation Points"	: Also referred to as "Adjudication Points" (see clause 1.1 above).
"Exempted Capital Asset"	: means a municipal capital asset which is exempted by section 14(6) or 90(6) of the MFMA from the other provisions of that section.
"Exempted Micro Enterprise"	: means a bidder with annual total revenue of R5 million or less (in terms of the Broad-Based Black Economic Empowerment Act).
"Final Award"	: In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
"Firm Price"	: means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.
"Formal Written Price Quotation", "Written Price Quotation", "Quotation" or "Quote"	: means a written or electronic offer to the Ulundi Local municipality in response to an invitation to submit a quotation. Also referred to as "Bids".
"Functionality"	: means the measurement according to predetermined norms, as set out in the bid or quotation documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder. "Functionality" is also referred to as "Quality".
"Granting of Rights"	: means the granting by the Ulundi Local Municipality of the right to use, control or manage capital assets in circumstances where sections 14 and 90 of the MFMA and Chapters 2 and 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to "transfer" or "Disposal" of the asset and which includes leasing, letting, hiring out, etc, of the capital asset.
"Green Procurement"	: is defined as taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimised.
"Imported Content"	: means that portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port or entry.
"In the service of the state"	: means: (a) a member of any municipal council, any provincial

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	legislature or the National Assembly or the National Council of Provinces; (b) an official of any municipality or municipal entity; (c) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1 of 1999; (d) a member of the board of directors of any municipal entity; (e) a member of the accounting authority of any national or provincial public entity; or (f) An employee of Parliament or a provincial legislature.
"Joint Venture or Consortium"	: means an association of persons formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The Joint Venture must be formalised by agreement between the parties.
"Local Content"	: means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place.
"Municipal Asset Transfer Regulations"	: Means the Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008.
"Municipal Entity"	: means an entity as defined in the Systems Act.
"Municipal Finance Management Act" (MFMA)	: Means the Local Government: Municipal Finance Management Act, 56 of 2003.
"Non-compliant Contributor"	: means a person who does not meet the Minimum score to qualify as a status level 8 B-BBEE Contributor, or a person who is not verified in terms of the required Sector Charter.
"Non-exempted Capital Asset"	: means a municipal capital asset which is not exempted by section 14(6) or 90(6) of the MFMA, from the other provisions of that section.
"Non-firm Prices"	: means all prices other than "firm" prices.
"Person"	: includes a natural or legal entity.
"Policy"	: means this Supply Chain Management Policy as amended from time to time.
"Preference points"	: mean the points for preference referred to in this Policy.
"Preferential Procurement Policy Framework Act" (PPPFA)	: means the Preferential Procurement Policy Framework Act, 5 of 2000.
"Preferential Procurement Regulations"	: means the regulations pertaining to the PPPFA.
"Prime Contractor"	: shall have the same meaning as "Contractor".
"Promotion of Administrative Justice	: means the Promotion of Administrative Justice Act, 3 of 2000.

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Act"	
"Quality"	: also referred to as "Functionality" (see clause 1.1.34 above).
"Rand Value"	: means the total estimated value of a contract in South African currency, calculated at the time of bid invitations, and includes all applicable taxes and excise duties.
"Republic"	: means the Republic of South Africa.
"Responsible Agent"	: means either an internal project manager (being an employee of the Ulundi Local Municipality) or an external consultant (appointed by the Ulundi Local Municipality), as the case may be, who is responsible for the implementation of a project or part thereof.
"SARS"	: means the South African Revenue Services.
"Stipulated Minimum Threshold"	: means that portion of local production and content as determined by the Department of Trade and Industry.
"Sub-contract"	: means the prime contractor's assigning, leasing, making out work to, or employing, another person to support such prime contractor in the execution of part of a project in terms of the contract.
"Sub-contractor"	: means any person that is assigned, leased, employed or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.
"Supplier/Vendor"	: are generic terms which may include suppliers of goods and services, contractors and/or consultants.
"Supplier Database"	: means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of Regulation 14 of the Supply Chain Management Regulations.
"Supply Chain Management (SCM) Regulations"	: Means the Municipal Supply Chain Management Regulations published in terms of the Municipal Finance Management Act.
"Municipal Systems Act"	: means the Local Government: Municipal Systems Act, 32 of 2000.
"Targeted Labour"	: means that individual employed by a contractor, or sub-contractor, in the performance of a contract, who is defined in the contract as the target group, and who permanently resides in the defined target area.
"Targeted Enterprises"	: means those enterprises (suppliers, manufacturers, service providers or construction works contractors) that own, operate or maintain premises within the target area defined in the contract, for the purposes of carrying out their normal business operations.
"Tender/Tenderer"	: means "bid/bidder".
"Term Bid"	: means rates based bid for the supply of goods, services or construction works, which are of an ad-hoc or repetitive nature where the individual rates are approved for use over a predetermined period of time.
"Total Revenue"	: bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act and

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	promulgated in the Government Gazette on 9 February 2007.
"Transaction Value"	*:* means the actual contract value (the bid sum or price) in South African currency, inclusive of all applicable taxes in respect of the goods, services or construction works that are contracted for.
"Treasury Guidelines"	: means any guidelines on Supply Chain Management issued by the Minister in terms of section 168 of the MFMA;
"Trust"	: means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person.
"Trustee"	: means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.
"Unsolicited Bid"	: means an offer submitted by any person at its own initiative without having been invited by the Ulundi Local Municipality to do so.

2. *POLICY STATEMENT*

2.1 Section 111 of the Municipal Finance Management Act requires each municipality and municipal entity to adopt and implement a Supply Chain Management Policy, which gives effect to the requirements of the Act.

2.2 In addition, the Preferential Procurement Policy Framework Act, 2000 requires any organ of state to determine its Preferential Procurement Policy and to implement it within the prescribed framework. This requirement is given effect to in the Preferential Procurement section of this Policy.

3 *GOALS*

3.1 The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable Supply Chain Management within Ulundi Local Municipality, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:

(i) to stimulate and promote local economic development in a targeted and focused manner;

(ii) to promote resource efficiency and reduce the negative environmental impact of daily operations of the Ulundi Local Municipality ;

(iii) to facilitate creation of employment and business opportunities for the people of Ulundi with particular reference to Broad-Based Black Economic Empowerment (BBBEE);

(iv) to promote the competitiveness of local businesses;

(v) to increase the small business sector access, in general, to procurement business opportunities created by the Council;

4 POLICY OBJECTIVES

4.1 The objectives of this Policy are:

(i) to give effect to Section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;

(ii) To comply with all applicable provisions of the Municipal Finance Management Act (MFMA) including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, dated 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA.

(iii) To ensure consistency with all other applicable legislations and any regulations pertaining thereto, including:

(a) ~~the Preferential Procurement Policy Framework Act of 2000 (PPPFA)~~;
(b) the Preferential procurement Policy Framework Act of 2017 (PPPFA)
(c) the Broad-Based Black Economic Empowerment Act;
(d) the Construction Industry Development Board Act;
(e) the Local Government: Municipal Systems Act; and
(f) The Promotion of Administrative Justice Act.
(g) Circulars issued by National Treasury

4.2 This Policy will also strive to ensure that the objectives for uniformity in Supply Chain Management systems between organs of state, in all spheres, are not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

5 OVERSIGHT

5.1 Council maintains an oversight role to ensure that the Municipal Manager implements this Supply Chain Management Policy.

5.2 The Mayor must provide general political guidance over the fiscal and financial affairs of the Ulundi Local Municipality and must monitor and oversee the exercise of responsibilities assigned to the Municipal Manager and Chief Financial Officer in terms of the Municipal Finance Management Act.

5.3 Section 117 of the MFMA prohibits any municipal councillor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipal Councillor attend any such meetings as an observer.

5.4 For the purposes of such oversight, the Municipal Manager shall, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this Policy to the Mayor and, within 30 days of the end of each financial year, shall submit a similar such report to Council.

5.5 In addition, if any serious and material problems arise in relation to the implementation of this Policy, the Municipal Manager shall immediately report to Council accordingly.

5.6 All the reports referred to section 5.4 and 5.5 above, shall be made public in accordance with the requirements of Section 21(1) (a) of the Municipal Systems Act (Act No. 01 of 2003??).

6 COMPLIANCE WITH ETHICAL STANDARDS

6.1 In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the Municipal Manager and all representatives of Ulundi involved in Supply Chain Management activities shall act with integrity and in accordance with the highest ethical standards.

6.2 All Supply Chain Management representatives shall adhere to the code of conduct of municipal staff contained in Schedule 2 of the MSA, and this Policy's Code of Ethical Standards.

7 GENERAL PROVISIONS AND APPLICATION OF POLICY

7.1 *Commencement and Review*

(i) This Policy is effective from the date on which it is adopted by Council.
(ii) The Municipal Manager must **annually** review the implementation of this Policy and
(iii) If she/he considers it necessary, submit proposals for the amendment of the Policy to the Council for approval.

7.2 *Application of Policy*

(i) This Policy applies to:

(a) the procuring of goods or services, including construction works and consultant services;
(b) the disposal by the Ulundi Local Municipality of goods no longer needed;
(c) the selection of contractors to provide assistance in the provision of municipal services; or
(d) The selection of external mechanisms referred to in Section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in Section 83 of that Act.

(ii) Unless specifically stated otherwise, this Policy does not apply if the Ulundi Local Municipality contracts with another organ of state for:

(a) The provision of goods or services to the Ulundi Local Municipality ;
(b) The provision of a municipal service; or

(c) The procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.
(d) A report shall nevertheless be submitted to the Bid Adjudication Committee seeking authority to contract with another organ of state.

(iii) The Policy provides for the following Supply Chain Management systems:

(a) Demand management system;
(b) Acquisition management system;
(c) Logistics management system;
(d) Disposal management system;
(e) Risk management system;
(f) Performance management system.

(iv) These systems must be adhered to in all Supply Chain Management activities undertaken by the Ulundi Local Municipality.

7.3 *Delegations*

(i) To the extent that it may be necessary, Council authorises the Municipal Manager to delegate or sub-delegate to a staff member any power conferred on the Municipal Manager in terms of the MFMA and the Supply Chain Management Regulations relating to Supply Chain Management.

(ii) No decision-making in terms of any Supply Chain Management powers and duties may be delegated to an advisor or consultant.

7.4 *Competency*

(i) The Municipal Manager shall ensure that all persons involved in the implementation of this Policy meet the prescribed competency levels, and where necessary, shall provide relevant training.

(ii) The training of officials involved in implementing this Policy shall be in accordance with any National Treasury guidelines on Supply Chain Management training.

7.5 *Supply Chain Management Unit*

(i) Ulundi has established a Supply Chain Management Unit to assist the Municipal Manager to implement this Policy.

7.6 *Communication with the Ulundi Local Municipality*

(i) All correspondence with regard to this Policy shall be addressed to the Chief Financial Officer.

7.7 *Availability of Supply Chain Management Policy*

(i) A copy of this Policy and other relevant documentation shall be made available on the Ulundi Local Municipality's website.

8 DELEGATIONS OF AUTHORITY

8.1 The following procurement thresholds shall be applicable for the execution of all Ulundi Local Municipality procurement activities:

Procurement limits	Method	Required procedure
Level 0: R0 – R500	Petty Cash	• Slips and invoices supporting expenditure shall be required. • Verbal quotation/s should be obtained to determine petty cash amount. • Accounting Officer may procure requirements without inviting competitive bids or price quotations by means of petty cash.
Level 1: R500 – R2,000 (VAT included)	Verbal or written Quotations	• Three (3) verbal or written quotations on municipal letterhead shall be obtained. • Order to be placed with successful service provider. • Suppliers must be registered on the Ulundi Local Municipality approved Suppliers Database.
Level 2: R2,001 – R10,000 (VAT included) Movable goods and services	Verbal or Written Quotations	• Accounting Officer may procure requirements by obtaining at least three (3) verbal or written quotations from, where applicable, a list of prospective suppliers. • The order should, however, be placed against written confirmation from the selected supplier if the quotation was submitted verbally. • Written price quotations *may* be obtained for any procurement of a transaction value lower than R10 000. • Suppliers must be registered on the Ulundi Local Municipality approved Suppliers Database.
Level 3: R10,001 – R200 000 (VAT included) Movable/ immovable property, goods and services	Written Quotations	• Accounting Officer should invite and accept written price quotations for requirements up to an estimated value of R200 000 from as many suppliers as possible that are registered on the Ulundi Local Municipality list of prospective suppliers. • If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the Accounting Officer or his / her delegate.
Level 4: R200 001.00 – above Unlimited monetary value (VAT included)	Competitive Bids	• Accounting Officer should invite competitive bids for all procurement above R200 001.00. • Competitive bids should be advertised in at least the Government Tender Bulletin and in other appropriate media should an Accounting Officer deem it necessary to ensure greater exposure to potential bidders. The responsibility for advertisement costs will be that of the relevant Accounting Officer. • Should it be impractical to invite competitive bids for specific procurement, e.g. in *urgent or emergency cases* or in the case of a *sole supplier*, the Accounting Officer may procure the

Procurement limits	Method	Required procedure
		required goods or services by other means, such as price quotations or negotiations in accordance with SCM Policy. • The reasons for deviating from inviting competitive bids should be recorded and approved by the Accounting Officer or his / her delegate. • Accounting Officer of the Municipality shall report within ten (10) working days to the Council. • The report issued shall include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for deviating from the prescribed competitive bidding process. • Goods, works or services may not deliberately be split into parts or items of lesser value merely for the sake of procuring the goods, works or services otherwise than through the prescribed procurement process. • Suppliers must be registered on the Ulundi Local Municipality approved Suppliers Database.

9 *DEMAND MANAGEMENT SYSTEMS*

9.1 *Introduction*

(i) Demand management provides for an effective system to ensure that the resources required to support the strategic operational commitments of the Ulundi Local Municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the Ulundi Local Municipality.

(ii) The Ulundi Local Municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting outline how the Ulundi Local Municipality intends to tackle its development challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget is based.

(iii) In order to achieve effective demand management, the Chief Financial Officer shall continuously ensure:

(a) That efficient and effective provisioning and procurement systems and practices are implemented to enable the Ulundi Local Municipality to deliver the required quantity and quality of services to the communities.
(b) The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability.
(c) The development of a world-class professional Supply Chain Management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.
(d) In dealing with suppliers and potential suppliers that the Ulundi Local Municipality shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

9.2 *Major Activities*

(i) Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:

(a) Establishing requirements;
(b) Determining needs; and
(c) Deciding on appropriate procurement strategies.

(ii) Demand management accordingly shall involve the following activities:

(a) Understanding the future needs;
(b) Identifying critical delivery dates;
(c) Identifying the frequency of the need;
(d) Linking the requirement to the budget;
(e) Conducting expenditure analyses based on past expenditure;
(f) Determining requirements,
(g) Conducting commodity analyses in order to check for alternatives and conducting industry analyses.

10 ACQUISITION MANAGEMENT SYSTEM

10.1 *Introduction*

(i) The objectives of this acquisition management system are to ensure:

(a) That goods and services, including construction works and consultant services are procured by the Ulundi Local Municipality only in accordance with the authorised procedures incorporated herein;
(b) That expenditure on goods and services, including construction works and consultant services is incurred in terms of an approved budget;
(c) That the threshold values of the different procurement procedures are complied with;
(d) That bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including, the Preferential Procurement Policy Framework Act, and any conditions of the Construction Industry Development Board Act; and

(e) That procurement guidelines issued by the National Treasury are taken into account.

10.2 *Application*

(i) This acquisition management system contains the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts, and orders for the Ulundi Local Municipality.

10.3 *Supplier Database*

(i) The Municipal Manager shall ensure that the Municipality's supplier database is updated at least once per year shall, through newspapers commonly circulating locally, the website of the Ulundi Local Municipality, and any other appropriate ways, invite prospective suppliers of goods and services, construction works and consultant services to apply for listing as an accredited prospective supplier.

The Municipal Manager must ensure that the Municipality make available the list of all suppliers registered on a database approved by National Treasury (Central Suppliers Database) to provide the required goods or services in respect of the applicable designated groups from which tenderer must select a supplier.

(ii) Prospective suppliers shall however be allowed to submit applications and amendments for listing on the database at any time.

(iii) The listing criteria for accredited prospective suppliers are:

(a) Name of supplier / service provider;
(b) Street address;
(c) Postal address;
(d) Contact person in Sales Department;
(e) Finance Department's telephone number;
(f) Finance Department's fax number;
(g) Finance Department's cell number;
(h) Finance Department's email address;
(i) Contact person in Accounts Department;
(j) Accounts Department's telephone number;
(k) Accounts Department's fax number;
(l) Accounts Department's email address;
(m) Vat registration yes/no;
(n) Vat registration number;
(o) Bank details;
(p) Type of industry;
(q) Valid certification for specialised services;
(r) Valid tax clearance certificate;
(s) CIDB registration if applicable;
(t) Valid certification in respect of Exempted Micro Enterprises or B-BBEE Status Level of Contributor.

~~(iv)~~ The Municipal Manager shall disallow the listing of any prospective supplier on the Ulundi Local Municipality's supplier database who does not comply with the accreditation requirements based on standards, set by ~~any~~ (National Treasury) ~~relevant control bodies that govern or regulate the category of service or industry.~~

(v) The Municipal Manager shall disallow the listing of any prospective supplier whose name appears on the National Treasury's List of Restricted Suppliers and/or Register for Tender Defaulters and who is therefore prohibited from doing business with the public sector.

(vi) For quotations (up to and including ~~R200 000~~ R50 000 000.00) bidders are required to be registered on the Ulundi Local Municipality 's supplier database and Central Suppliers Database initiated by National Treasury prior to the acceptance of their quotation and ~~(~~the issue of an official order~~)~~ in respect of the goods or services required.

(vii) Where bids exceed ~~R200 000~~ R50 000 000.00 bidders who are not registered on the Ulundi Local Municipality 's Supplier Database are not precluded from submitting bids, but must however be registered prior to the evaluation of bids in order for their bids to be responsive.

(viii) All parties to a Joint Venture or Consortium must comply with the requirements of clauses 10.3 (vi) and 10.3 (vii) above.

10.4 *Combating Abuse of the Supply Chain Management Policy*

(i) The Municipal Manager shall take all reasonable steps to prevent abuse of the Supply Chain Management system and to investigate any allegations against an official, or other role player, of fraud, corruption, favouritism, unfair, irregular or unlawful practices or failure to comply with the Supply Chain Management system and when justified in terms of administrative law:

(a) shall take appropriate steps against such official or other role player; or
(b) shall report any alleged criminal conduct to the South African Police Service;
(c) may reject a recommendation for the award of a contract if the recommended bidder or person submitting a quote, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
(d) must invalidate recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by:
    (1) councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors in schedule 1 of the Systems Act; or
    (2) Municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in schedule 2 of the Systems Act.

(ii) may cancel a contract awarded to a person if:

(a) The person committed a corrupt or fraudulent act during the procurement process or the execution of the contract; or
(b) An official or other role player committed any corrupt or fraudulent act during the procurement process or in the execution of the contract that benefited that person.

(iii) The Municipal Manager may reject the bid or quote of any person if that person or any of its directors has:

(a) failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges as are in arrears for more than ~~three months~~ 30 days;
(b) failed, during the last five years, to perform satisfactorily on a previous contract with the Ulundi Local Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory and shall be reported to the National Treasury in order for a restriction to be placed;
(c) abused the Supply Chain Management system of the Ulundi Local Municipality or has committed any improper conduct in relation to this system;
(d) been convicted of fraud or corruption during the past five years;
(e) wilfully neglected, reneged on or failed to comply with any government,
(f) municipal or other public sector contract during the past five years; or
(g) been listed on the National Treasury's Register for Tender Defaulters in terms of the Prevention and Combating of Corrupt Activities Act,12 of 2004 or has been listed on the List of Restricted Suppliers and who is therefore prohibited from doing business with the public sector.

(iv) The Ulundi Local Municipal Manager shall inform the National and Provincial Treasury of any actions taken in terms of clauses 10.4 (i) and 10.3 (iii) above.

10.5 *Further documentation prior to the award*

(i) Where appropriate, the Municipality may require upon the service providers to produce financial statements or any form of affordability or ability to execute or undertake responsibility as per the proposal at any stage prior to the award.
(ii) Any service provider who fails to comply with the above provision shall be disqualified

10.6 *Contracts Having Budgetary Implications beyond Three Financial Years*

(i) The Ulundi Local Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of section 33 of the Municipal Finance Management Act have been fully complied with.

10.7 *Proudly South African Campaign*

(i) The Ulundi Local Municipality supports the Proudly South African Campaign and may, where appropriate, aside from stipulating minimum local content thresholds determined by the Department of Trade and Industry in respect of designated sectors, determine minimum thresholds in respect of other sectors as well.

10.8 *Specialised Forms of Procurement*

(i) Acquisition of Goods or Services from other Organs of State or Public Entities:

(a) In the case of goods or services procured from another organ of state or public entity (including the Department of Water Affairs, Eskom or any other such entities), such procurement shall be made public, giving details of the nature of the goods or services to be procured and the name/s of the supplier/s.

(ii) Acquisition of Goods and Services under Contracts secured by other Organs of State:

(a) The Municipal Manager may procure goods or services under a contract secured by another organ of state, but only if:
(1) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
(2) the municipality or entity has no reason to believe that such contract was not validly procured;
(3) there are demonstrable discounts or benefits for the municipality or entity to do so; and
(4) That other organ of state and the provider have consented to such procurement in writing.

(iii) Acquisition of Banking Services:

(a) Subject to Section 33 of the Municipal Finance Management Act, any contract for the provision of banking services:
(1) shall be procured through a competitive bidding process;
(2) shall be consistent with section 7 of the Municipal Finance Management Act; and
(3) May not be for a period longer than five years.

(b) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(c) The closure date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in a newspapers commonly circulating locally.

(d) Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

(iv) Acquisition of IT Related Goods or Services:

(a) If the transaction value of IT related goods or services exceeds R50 million in any financial year, or if the transaction value of a single contract (whether for one or more years) **exceeds** R50 million, the Ulundi Local Municipal Manager **must notify** the State Information Technology Agency (SITA) together with a motivation of the IT needs of the Ulundi Local Municipality.

(b) If a SITA comment on the submission and the Ulundi Local Municipality disagrees with such comment, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the Provincial and National Treasury, and the Auditor-General prior to awarding the bid.

(c) Notwithstanding the above, the Municipal Manager may request the SITA to assist with the acquisition of IT related goods or services in which case the parties must enter into a written agreement to regulate the services provided by, and the payments to be made to, the SITA.

(v) Acquisition of Goods Necessitating Special Safety Arrangements:

(a) Goods, other than water, which necessitate special safety arrangements (for example, flammable products, poisons), may not be acquired in excess of immediate requirements unless there is sound financial justification therefore.

(b) Where the storage of goods, other than water in bulk is justified, the Municipal Manager may authorise such storage and the decision must be based on sound reason including total cost of ownership and cost advantages for the Municipality.

(vi) Public-Private Partnerships:

(a) Part 2 of chapter 11 of the MFMA applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement will have multi-year budgetary implications for the Ulundi Local Municipality within the meaning of that section.

(vii) Publications in the Media:

(a) In respect of any contract relating to the publication of official and legal notices and advertisements in the media by or on behalf of the Ulundi Local Municipality, there is no requirement for a competitive bidding process to be followed.

(viii) Community Based Vendors:

(a) The Chief Financial Officer may request quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than R30, 000 (including construction works).

10.9 *Range of Procurement Processes*

Goods and services, including construction works and consultant services shall be procured through the range of procurement processes set out below.

(i) Competitive Bids:

(a) Where the estimated transaction value exceeds R200 000, or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

(ii) Term Bids:

(a) For the supply of goods and services or construction works that is of an adhoc or repetitive nature for a predetermined period of time.

(iii) Formal Written Price Quotations:

Where the estimated transaction value exceeds R30 000 and is less than or equal to R200 000

(iv) Verbal Price Quotations:

(a) Where the estimated transaction value exceeds R2, 000 and is less than or equal to R10, 000.

(v) Petty Cash Purchases:

(a) Head of Department may delegate the power to authorise petty cash purchases to the Deputy Director
(b) Only a maximum of **5** petty cash purchases per month may be allowed from each Unit;
(c) A monthly reconciliation report from each Unit must be provided to the Chief Financial Officer:
  (1) The total amount of petty cash purchases for that month; and
  (2) Receipts and appropriate documents for each purchase.

(vi) Appointment of Consultants and service providers:

(a) Where the estimated value of fees exceeds R200 000 or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.
(b) Where the estimated value of fees is less than or equal to R200 000 and the duration of the appointment will be less than one year, a selection process as described in this Policy, as amended from time to time, shall be applied.

(vii) Reduction in Threshold Values:

(a) The Municipal Manager may:

(1) lower, but not increase, the different threshold values specified in the acquisition management system of this Policy; or

(2) direct that:
2.1 Verbal quotations be obtained for any specific procurement of a transaction value lower or higher than R2,000;
2.2 Formal or verbal written price quotations be obtained for any specific procurement of a transaction value lower than R10,000; or
2.3 A quotation process be followed for any specific procurement of a transaction value lower than R200, 000.

(viii) Parcelling:

(a) The provision of goods, services or construction works may not deliberately be split into parts, or items of a lesser value, merely to avoid complying with the requirements of the different range of procurement processes described in this policy.

10.10 *General Conditions Applicable to Bids and Quotations*

(i) The Ulundi Municipality shall not consider a bid or quote unless the bidder who submitted the bid or quote has furnished the Municipality with that bidder's:
(a) Full name;
(b) Identification number or company or other registration number; and
(c) Tax reference number; and
(d) VAT registration number, if any;
(e) Certificate of attendance at a compulsory site inspection, where applicable;
(f) has submitted an original and valid tax clearance certificate certifying that the provider's tax matters are in order; and
(g) has indicated whether:
2.1 the provider is in the service of the state, or has been in the service of the state in the previous twelve months;
2.2 if the provider is not a natural person, whether any of the directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve months; or
2.3 Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to is in the service of the state, or has been in the service of the state in the previous twelve months.

(ii) Irrespective of the procurement process, the Ulundi Local Municipality may not make any award above R30 000, to a person who's tax matters have not been declared by the SARS to be in order.

(iii) Before making an award the Ulundi Local Municipality must check with SARS if the person's tax matters are in order and, if SARS does not respond within seven days such person's tax matters may, for the purposes of clause 76, be presumed to be in order.

(iv) Irrespective of the procurement process followed, the Ulundi Local Municipality is prohibited from making an award to a person:
(a) who is in the service of the state;
(b) if the person is not a natural person, of which any director, manager or principal shareholder or stakeholder is in the service of the state;
(c) Who is an advisor or consultant contracted with the Ulundi Local Municipality (refer to clause 95 in this regard).

(v) The Municipal Manager shall ensure that the notes to the annual financial statements of the Ulundi Local Municipality disclose particulars of any award above R2000 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous twelve months, including:
(a) the name of the person;
(b) the capacity in which the person is in the service of the state: and
(c) The amount of the award.

11 COMPETITIVE BIDS

11.1 *General*

(i) Competitive bids must be called for any procurement of goods or services, construction works, or consultant services above a transaction value of R200 000, or for any contract exceeding one year in duration.

(ii) When determining transaction values, a requirement for goods or services, construction works or consultant services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

11.2 *Bid Specifications*

(i) Bid specifications must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.

(ii) Bid specifications must take account of any accepted standards such as those issued by South African National Standards, the International Standards Organisation, or any authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

(iii) Bid specifications shall, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.

(iv) Bid specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.

(v) Bid specifications may not make any reference to any particular trade mark, name, patent, design, type, specific origin or producer, unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "or equivalent".

(vi) Bid specifications must be approved by the Municipal Manager or his delegated authority prior to publication of the invitation for bids.

(vii) Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.

11.3 *Bid Specification Committee*

(i) The Accounting Officer will appoint members to the bid specification committee to compile bid specification.

(ii) Specifications should be:

(a) Prepared in an unbiased manner
(b) In sufficient detail to enable meaningful evaluation of quotes and tenders
(c) Take into account any accepted standards such as those issued by Standards South Africa, the International Standards Association or an authority recognised by the SA National Accreditation.
(d) Where possible be described in terms of performance rather than descriptive characteristics.
(e) May not create trade barriers in contract requirement in the forms of specification, plans, drawings, design, testing and methods, packing, marking or labelling of conformity certificate.
(f) May not refer to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the work and then should be accompanied by the word 'equivalent'
(g) Must indicate the specific goals for which a point may be awarded
(h) Are to be approved by the Accounting officer prior to advertisement of the bid.

(iii) The Bid Specification Committee will be composed as follows at the least:

(a) One or more officials of the municipality, preferably the manager responsible for the function involved
(b) Where appropriate external specialist advisors
(c) 1 SCM Official ~~and/or 1 Budget Official~~

11.4 *Compilation of Bid Documentation*

(i) All bid documentation must include provision for the following matters:

(a) The requirement for bids to be submitted in Rand;
(b) The requirement for bidders to furnish their tax reference number, VAT registration number, and their identification or company registration number;
(c) For procurement in excess of R30, 000 provide an indication from the SARS that the bidders tax matters are in order;
(d) Require the bidder to disclose if the bidder or their family has any declared interest in terms of Section 20 (f) of the Regulations;
(e) The requirement for site meeting or briefing sessions, if applicable;
(f) Evaluation and adjudication criteria including any criteria stated in Preferential Procurement Policy Framework Act and the Broad- Based Economic Empowerment Act and applicable regulations;
(g) Screening process and security clearance procedures for contractors on tenders above R200 000;
(h) Where the value of the transaction is expected to exceed R10 million, must furnish the documents and information required by section 20 (g) of the Regulations;
(i) The requirement for compulsory disclosure of any conflict of interest a prospective contractor may have and the exclusion of that contractor from those tenders or bids;
(j) The requirement for exclusion of persons under Section 112(1) (l) of the MFMA including those persons convicted of fraud or corruption, who have failed to honour a government;
(k) Stipulates that disputes will be settled by means of mutual consultation, mediation (with or without legal representation) or when unsuccessful, the matter will be reffered in a South African court of law;
(l) Contract management process and procedures including provision for the Accounting Officer to cancel the contract for unsatisfactory performance;
(m) Other matters and documentation as may be required by the Municipal Finance Management Act, the municipality's Supply Chain Management policy and procedures and any National Treasury Supply Chain Management circulars or guidelines;
(n) General conditions of contracts; and
(o) The requirement of the Construction Industry Development Board in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.

11.5 *Bids exceeding R10 million*

(i) If the estimated value of the transaction exceeds R10 million, the bid documentation must require the bidders to furnish:

(a) if the bidder is required by law to prepare annual financial statements for auditing, copy of their audited annual financial statements:
1. For the past three years, or
2. Since their establishment if established during the past three years,

(b) A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days,

(c) Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract, and

(d) A statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion and whether any portion of payment from the Ulundi Local Municipality is expected to be transferred out of the Republic.

11.6 *Alternative Bids*

(i) Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.

(ii) An alternative bid shall be submitted on a separate complete set of bid documents and shall be clearly marked "Alternative Bid" to distinguish it from the unqualified bid referred to above.

(iii) Bid documentation shall state that the Ulundi Local Municipality will not be bound to consider alternative bids.

11.7 *Public Invitation for Competitive Bid*

(i) On completion of the bid specification process the Ulundi Local Municipality shall publicly invite bids.

(ii) Bid invitation shall be by notice published in the media.

(iii) The notice shall, as soon as possible after the publication contemplated above, be posted on official notice boards designated by the Municipal Manager and the municipal website.

(iv) The notice may require payment of a non-refundable bid fee by bidders wanting to collect bid documents. This bid fee and the data base suppliers registration form (Detailed Central Suppliers Database report) shall be determined by the Chief Financial Officer from time to time.

(v) The notice contemplated by clause (viii) 1.2 above shall specify:

(a) the title of the proposed contract and the bid or contract reference number;
(b) such particulars of the contract as the Ulundi Local Municipality deems fit;
(c) the date, time and location of any site inspection, if applicable;
(d) the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
(e) that bids may only be submitted on the bid documentation provided by the Ulundi Local Municipality ;
(f) the deposit payable, if any;
(g) the place where bids must be submitted;
(h) the closing date and time for submission of bids; and
(i) The required CIDB contractor grading for construction work.

(vi) The notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.

(vii) Bid documentation shall be available for collection until the closing date of bids.

11.8 *Issuing of Bid Documents*

(i) Bid documents and any subsequent notices may only be issued by officials designated by the Chief Financial Officer from time to time.

(ii) Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain **confidential** for the duration of the bid period.

(iii) Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

11.9 *Site Inspections/Bid Clarification Meetings*

(i) Site inspections/clarification meetings in respect of bids exceeding R200 000 will, in general, not be compulsory. In exceptional circumstances however, a site inspection/clarification meeting may be made compulsory with the approval of the Chief Financial Officer, provided that the minimum bid period is extended by at least 7 (seven) days (refer to clauses to in this regard).

(ii) If site inspections/clarification meetings are to be held, full details must be included in the bid notice, including whether or not the site inspection/ clarification meeting is compulsory.

(iii) Where site inspections/clarification meetings are made compulsory, the date for the site inspection/clarification meeting shall be at least 14 (fourteen) days after the bid has been advertised, and a certificate of attendance signed by the Responsible Agent must be submitted with the bid.

(iv) If at a site meeting/clarification meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with clauses 10.10.1 (xix)(1.1) to 10.10.1 (xix)(1.3) of this Policy.

11.10 *Two-stage (Prequalification) Bidding Process*

(i) In a two-stage (prequalification) bidding process, bidders are first invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.

(ii) In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.

(iii) This process may be applied to bids for large complex projects of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term projects with a duration exceeding three years.

(iv) The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids.

(v) Once bidders have pre-qualified for a particular project, they shall be given not less than 7 (seven) days to submit a final technical proposal (where applicable) and/or a financial offer.

11.11 *Two Envelope Systems*

(i) A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated.

11.12 *Validity Periods*

(i) The period for which bids are to remain valid and binding must be indicated in the bid documents.

(ii) The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.

(iii) This period of validity may be extended by the Chief Financial Officer, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder in writing.

(iv) Bidders who fail to respond to such a request before the validity of their bid expires, or who decline such a request shall not be considered further in the bid evaluation process.

(v) The Chief Financial Officer must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the 21 day appeal period described in clause 10.10.1(xxvii) (b).

(vi) In the event that an appeal in terms of clause 10.10.1(xxvii)(b) is received, the validity period is deemed to be extended until finalisation of the appeal.

11.13 *Contract Price Adjustment*

(i) For all contract periods equal to or exceeding one year, an appropriate contract price adjustment formula must be specified in the bid documents.

(ii) In general, if contract periods do not exceed one year, the bid shall be a fixed price bid and not subject to contract price adjustment.

(iii) However, if as a result of any extension of time granted, the duration of a fixed price contract exceeds one year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.

11.14 *Contracts providing for Compensation Based on Turnover*

(i) If a service provider acts on behalf of the Ulundi Local Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Ulundi Local Municipality must stipulate;

(ii) a cap on the compensation payable to the service provider; and

(iii) That such compensation must be performance based.

11.15 *Provisional Sums and Prime Cost or Sub-contract Allowances*

(i) Where monetary allowances in excess of R200,000 in respect of provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, then one of the following processes, as determined by the Bid Specification Committee, shall be followed in respect of these allowances:

(a) An **open competitive bidding process** in which bid documents are prepared by the Responsible Agent in consultation with and to the approval of the contractor, invitations to bid are advertised in the media, and whereby the **selected sub-contractor/supplier** is chosen by the Responsible Agent together with the contractor from the responses received. The contractor must satisfy him/herself that the selected sub-contractor/supplier can meet the requirements of the sub-contract/supply agreement, and assumes the risk for the performance of the sub-contractor/supplier. The contractor may, on reasonable grounds, elect not to employ a particular subcontractor/ supplier.

(b) A **two-stage selection process**, whereby the Responsible Agent will advertise (in the media) for expressions of interest from suitably qualified sub-contractors/suppliers. From the responses received, the Responsible Agent and the contractor, in conjunction, shall compile a list of at least three (unless less than three responses were received) suitable sub-contractors/suppliers who will then be asked to submit prices for the works/items required. The contractor will assume the risk for the performance of the **selected subcontractor/ supplier** identified through this process.

(c) A **nominated process**, whereby the Ulundi Local Municipality instructs the contractor to appoint a particular (typically specialist) sub-contractor/supplier. In this process the sub-contractor/supplier is a **nominated subcontractor/ supplier**, and the risk is transferred from the contractor to the Ulundi Local Municipality. The use of this process must therefore be motivated to, and approved by, the Chief Financial Officer prior to its implementation. A preference point system (as described later in this policy) must be applied in all of the above selection processes.

(ii) When monetary allowances of less than R200,000 have been included in the bid documents, and where the work or items to which the sums relate are to be

executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of three written quotations for approval by the Responsible Agent.

11.16 *Samples*

(i) Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents.

(ii) Bids may not be included in parcels containing samples.

(iii) If samples are not submitted as required in the bid documents or within any further time stipulated by the Chairperson of the Bid Evaluation Committee in writing, then the bid concerned may be declared non-responsive.

(iv) Samples shall be supplied by a bidder at his/her own expense and risk. The Ulundi Local Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.

(v) If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

11.17 *Closing of Bids*

(i) Bids shall close on the date and at the time stipulated in the notice.

(ii) For bids (excluding quotations) for goods and services the bid closing date must be at least 14 (fourteen) days after publication of the notice.

(iii) For bids (excluding quotations) for construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.

(iv) Notwithstanding the above, if the estimated contract value exceeds R10 million, or if the contract is of a long term nature with a duration period exceeding one year, then the bid closing date must be at least 30 (thirty) days after publication of the notice.

(v) For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.

(vi) For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.

(vii) The bid closing date may be extended by the Chief Financial Officer if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the press prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the Municipal Manager, and a notice to all bidders to this effect shall be issued.

(viii) The Municipal Manager may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 10.10.2(xvii)(1.2) to 10.10.2(xvii)(1.6) above, but only if such shorter period can be justified on the grounds of urgency or

emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

11.18 *Communication with bidders before bid closing*

(i) The designated official may, if necessary, communicate with bidders prior to bids closing.

(ii) Such communication shall be in the form of a notice issued to all bidders by the Chief Financial Officer by either e-mail, facsimile, or registered post as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, where possible.

(iii) Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures in clause 10.10.1(xix)(1.2) have been complied with.

11.19 *Submission of Bids*

(i) Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.

(ii) Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.

(iii) The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.

(iv) The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.

(v) No bids forwarded by telegram, facsimile or similar apparatus shall be considered. However, Photostat copies of bids or facsimiles which are submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.

(vi) Electronic bids will not be accepted.

(vii) The bidder shall choose a domicilium citandi et executandi in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.

(viii) No person may amend or tamper with any bids or quotations after their submission.

11.20 *Late Bids*

(i) A bid is late if it is not placed in the relevant bid box by the closing time for such bid.

(ii) A late bid shall not be admitted for consideration and shall be returned unopened (where feasible) to the bidder with the reason for the return thereof endorsed on the envelope.

11.21 *Opening of Bids*

(i) At the specified closing time on the closing date the applicable bid box shall be closed.

(ii) The bid box shall be opened in public as soon as practical after the closing time.

(iii) Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.

(iv) The official opening the bids shall read out the name of the bidder, and, if practical, the amount of the bid and the preference claimed.

(v) As soon as a bid or technical proposal has been opened:
(a) the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature;
(b) the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose; and
(c) The responsible official who opened the bid shall forthwith place his/her signature on the bid opening record.

(vi) Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open (in which case the Ulundi Local Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box).

(vii) Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained. If the bid was in the correct bid box it will be read out. If the bid is found to be in the incorrect bid box, it will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open. If the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box. The Ulundi Local Municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

11.22 *Opening of Bids where a Two Envelope System (consisting of a technical proposal and a financial proposal) is followed*

(i) If a two envelope system is followed, only the technical proposal will be opened at the bid opening.

(ii) The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.

(iii) When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with clauses 10.10.1(xvii)(1.4) and 10.10.1(xvii)(1.5).

(iv) All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.

(v) Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard (clause 10.10.2 (xvii)(1.7)(a)refers).

(vi) After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record.

11.23 *Invalid Bids*

(i) Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the responsible official appointed by the Chief Financial Officer to open the bid, in the following instances:
   (a) If the bid is not sealed;
   (b) the bid, including the bid price amount, where applicable is not submitted on the official Form of Bid/Offer;
   (c) if the bid is not completed in non-erasable ink;
   (d) if the Form of Bid/Offer has not been signed;
   (e) if the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or
   (f) if in a two envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.

(ii) When bids are declared invalid at the bid opening, the bid sum of such bids shall not be read out. However, the name of the bidder and the reason for the bid having been declared invalid shall be announced.

11.24 *Bid Sum*

(i) A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.

(ii) All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

11.25 *Bid Evaluation*

11.25.1 *Bid Evaluation Committee*

(i) An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.

(ii) The Bid Evaluation Committee shall be comprised of at least three Ulundi Local Municipality officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible official and at least one Supply Chain Management Practitioner of the Ulundi Local Municipality.

(iii) Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary. External specialists/experts may advise the Bid Evaluation Committee, as required.

(iv) The Municipal Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Evaluation Committees.

(v) Bid Evaluation Committee meetings must be conducted in accordance with the applicable Terms of Reference, Rules of Order and Implementation Guidelines Regulating the Conduct of Meetings of Bid Specification, Evaluation and Adjudication Committees.

11.25.2 *Bid Evaluation*

(i) The Responsible Agent shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.

(ii) Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:

(a) whose bid was endorsed as being invalid by the Ulundi Local Municipality official presiding over the bid opening;

(b) whose bid does not comply with the provisions for combating abuse of this Policy;

(c) Who has failed to submit a certificate of independent bid determination, either with the bid, or within such time for submission stated in the Ulundi Local Municipality's written request to do so?

(d) whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;

(e) whose bid is not in compliance with the specification;

(f) whose bid does meet the minimum score for functionality, if applicable;
(g) whose bid is not in compliance with the terms and conditions of the bid documentation;
(h) who is not registered and verified on the Ulundi Local Municipality 's supplier database;
(i) who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors;
(j) who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and
(k) Who fails to comply with any applicable Bargaining Council agreements?

(iii) Bids shall be evaluated according to the following as applicable:

(a) bid price, excluding VAT (corrected if applicable and brought to a comparative price where necessary),
(b) the unit rates and prices,
(c) the bidder's ability to execute the contract,
(d) any qualifications to the bid,
(e) the bid ranking obtained in respect of preferential procurement as required by this Policy,
(f) the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
(g) Any other criteria specified in the bid documents.

(iv) No bidder may be recommended for an award unless the bidder has demonstrated that it has the necessary resources and skills required to fulfil its obligations in terms of the bid document.

(v) The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.

(vi) Additional information or clarification of bids may be called for if required but only in writing.

(vii) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. The Ulundi Local Municipality shall not be bound to consider alternative bids.

(viii) If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a

(ix) request may be considered and reported in the bid evaluation report for decision by the Bid Adjudication Committee.

(x) Adjudication points calculated in terms of the preference point system described in this policy must be rounded off to the nearest two decimal places.

(xi) The responsive bid that scores the highest number of adjudication points must be recommended for acceptance unless objective criteria, in addition to those

specific goals contemplated in section 2 of the PPPFA, justify the acceptance of another bid.

(xii) If, after bids have been brought to a comparative price, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest number of preference points for B-BBEE.

(xiii) When functionality is part of the evaluation process and two or more bids have scored equal points, including equal preference points for B-BBEE, the recommended bidder shall be the one scoring the highest score for functionality.

(xiv) If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.

(xv) All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

11.25.3 *Recommendation to Bid Adjudication Committee*

(i) The Bid Evaluation Committee shall, having considered the Responsible Agent's draft bid evaluation report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award.

11.26 *Bid Adjudication*

11.26.1 *General*

(i) The Ulundi Local Municipality shall not be obliged to accept any bid.
(ii) For goods and services bids, the Ulundi Local Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid.

11.26.2 *Bid Adjudication Committee*

(i) The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:
  (a) the Chief Financial Officer or a Manager designated by the Chief Financial Officer;
  (b) at least one senior Supply Chain Management practitioner of the Ulundi Local Municipality ;and
  (c) a technical expert in the relevant field who is an official of the Ulundi Local Municipality , if the Ulundi Local Municipality has such an expert.

(ii) The Ulundi Local Municipal Manager shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.

(iii) Neither a member of a Bid Specification Committee, Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

11.26.3 *Adjudication and Award*

(i) The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another recommendation to the Ulundi Local Municipal Manager on how to proceed with the relevant procurement.

(ii) The Bid Adjudication Committee may make an award to a preferred bidder(s), subject to the Municipal Manager negotiating with the preferred bidder(s) in terms of clause 236 of this Policy.

(iii) The Municipal Manager may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication Committee back to that committee for reconsideration of the recommendation.

11.26.4 *Approval of Bid not Recommended*

(i) If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:

(a) Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;
(b) Check in respect of the preferred bidder that it has the necessary resources and skills required to fulfil its obligations in terms of the bid document.
(c) Notify the Municipal Manager.

(ii) The Municipal Manager may:

(a) after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in clause 10.10.2(xvii)(1.4)(a) above.
(b) If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.

(iii) If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Municipal Manager must, in writing and within ten working days, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

11.26.5 *Reconsideration of Recommendations*

(i) The Ulundi Local Municipal Manager may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid

Adjudication Committee back to that Committee for reconsideration of the recommendation.

11.26.6 *Right of Appeal*

(i) In terms of Section 62 of the Municipal Systems Act, a person whose rights are affected by a decision taken by the Ulundi Local Municipality, in terms of a delegated authority, in the implementation of its Supply Chain Management system, may appeal against that decision by giving written notice of the appeal and reasons to the Municipal Manager within 21 days of the date of receipt of the notification of the decision.

(ii) Bid documents must state that any appeal in terms of clause 230 must be submitted to the Municipal Manager at the address stated, and must contain the following:
(a) reasons and/or grounds for the appeal;
(b) the way in which the appellants rights have been affected; and
(c) The remedy sought by the appellant.

(iii) No bid shall be formally accepted until either the expiry of the 21 day appeal period, or confirmation in writing before the expiry of the 21 day appeal period that none of the affected parties intend to appeal, or confirmation of the satisfactory resolution of any appeals.

11.26.7 *Notification of Decision*

(i) If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful and unsuccessful bidders shall be notified in writing of this decision.

(ii) The successful bidder shall, in addition, be advised of the 21 day appeal period, and be notified that no rights accrue to him/her until the bid is formally accepted in writing.

(iii) Every notification of decision shall be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification and kept for record purposes.

11.26.8 *Negotiations with Preferred Bidders*

(i) The Municipal Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:

(a) does not allow any preferred bidder a second or unfair opportunity;
(b) is not to the detriment of any other bidder; and
(c) Does not lead to a higher price than the bid as submitted.

(ii) Minutes of such negotiations must be kept for record purposes.

11.26.9 *Cancellation and re-invitation of Bids*

(i) A bid may be cancelled, prior to the award of the contract, if:
  (a) due to changed circumstances, there is no longer a need for the goods, services or construction works requested;
  (b) funds are no longer available to cover the total envisaged expenditure; or
  (c) No acceptable bids are received.

(ii) It is a requirement that in the event of:
  (a) An **80/20** preference point system having been stipulated in the bid documents, and all bids received **exceed a value of ~~R1,000,000~~ R50 000 000**; or
  (b) A **90/10** preference point system having been stipulated in the bid documents, and all bids received **are equal to, or below a value of ~~R1,000,000~~**, R50,000,000, then the bid must be cancelled, and new bids must be invited.

(iii) Bids cancelled in terms of the above clause 1.9(a), must be re-advertised, with the correct preference point system clearly stipulated in the bid documents.

(iv) If it becomes necessary to cancel or re-advertise formal bids, then a report to this effect shall be submitted to the Bid Adjudication Committee for decision.

(v) If a bid has been cancelled, then all bidders must be notified in writing.

(vi) A decision to cancel a bid in terms of above clause must be published in the media in which the original bid invitation was advertised.

(vii) It is not necessary to notify original bidders when calling for new bids, which will be advertised.

(viii) Unless no valid bids have been received, no bid may be re-advertised before the Bid Adjudication Committee has resolved to cancel the original bid, and all bidders have been notified accordingly.

(ix) In the case of bids for construction related works, and where the Bid Adjudication Committee resolved that there were no responsive bids received, then the bid may be re-advertised forthwith.

11.26.10 *Increase in Contract Period or Contract Sum*

(i) Any increase in the contract period or contract sum that may become necessary as a result of exceptional circumstances, or which is considered to be in the public's interest, may be approved by the Bid Adjudication Committee. Such approval must be obtained prior to the contract period expiring or contract sum being exceeded.

(ii) Any unapproved increases in the contract sum that have become necessary as a result of exceptional circumstances, or which have been considered to be in the public's interest, must be explained in a report to the Bid Adjudication Committee requesting condonation and approval for such unapproved increase.

11.26.11 *General*

(i) It is permissible to invite bids for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature, for a predetermined period of time (commonly referred to as a term bid).

(ii) The general acquisition procedure for term bids shall comply with procedures contained in the acquisition management system for competitive bids.

(iii) Bid documentation, where applicable, shall state that the acceptance of term bids based on a schedule of rates will not necessarily guarantee the bidder any business with the Ulundi Local Municipality.

(iv) The practice of using term bids to circumvent the bid process in respect of what should be planned project work is not permissible.

(v) Material for repairs and maintenance can be purchased on a term bid where circumstances warrant it.

(vi) Additional items included in a term bid by any bidder which are clearly not an alternative to any of the items specified shall not be considered.

11.26.12 *Evaluation and Adjudication of Term Bids*

(i) The process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.

(ii) Subsequent to award, where different selections of items are required in terms of the same term bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors (in the case of construction works, for example), then a selection process will have to be carried out in respect of each application by the Responsible Agent. Individual orders will then be placed (or contracts awarded) on the basis of the highest total evaluation points received, per application.

(iii) If the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing then the bidder with the next highest evaluation points shall be selected. If after a contract is awarded, or an order is placed in terms of a term bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract shall apply.

12 *FORMAL WRITTEN PRICE QUOTATIONS*

12.1 *General*

(i) Where the Ulundi Local Municipality intends to enter into any contact which is for the supply of any goods or services, or the execution of any construction work which involves or is likely to involve a transaction value over R10,000 and up to R200 000, then a minimum **of three written quotes** shall be obtained from providers who are suitably qualified and experienced, having the necessary resources, and who are registered and verified on the Ulundi Local Municipality's supplier database.

(ii) Quotations may be obtained from providers who are not listed on the Ulundi Local Municipality's supplier database, provided that such providers must meet the listing criteria referred to in this Policy.

(iii) A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.

(iv) Any request for a formal written quotation which is likely to be in excess of R30 000 must be advertised for at least 7 (seven) days on the Ulundi Local Municipality's official website and an official notice board as applicable.

(v) Notwithstanding clause 10.11(1.1)(a), if quotations have been invited on the Ulundi Local Municipality's official website, no additional quotes need to be obtained should the number of responses be less than three.

(vi) If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Chief Financial Officer who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.

(vii) The names of the potential providers and their written quotations must be recorded.

12.2 *Quotation Documentation*

(i) All quotation documentation, where practicable, shall comply with the requirements of bid documentation contained in the acquisition management system for competitive bids.

12.3 *Validity Periods*

(i) The provisions of clauses 10.10.1.2(xvii)to 10.10.1.2(xii)(1.6) of this Policy shall apply mutatis mutandis with regard to quotations.

12.4 *Quotation Prices*

(i) In general, all quotations should be submitted on a fixed price basis (not subject to contract price adjustment). Only in exceptional circumstances may contract price adjustment be applied.

12.5 *Submission of Quotations*

(i) Quotation documents issued by the Ulundi Local Municipality shall clearly state the place where such documents must be submitted and the date and time by when they must be submitted.

12.6 *Closing of Quotations*

(i) Quotations shall close on the date and at the time stipulated on the request for quotations.

(ii) The closing date for quotations less than or equal to R30,000 in value must be at least 2 (two) days after publication of the request for quotations.

(iii) The closing date for quotations greater than R30,000 in value must be at least 7 (seven) days after publication of the request for quotations.

(iv) No quotations submitted after any stipulated closing date and time shall be considered.

12.7 *Opening of Quotations (where lodged in a quotation box)*

(i) The provisions of clauses 10.10.1.2(xxvii)(1.1) to 10.10.1(xxvii)(1.7) of this Policy shall apply with regard to quotations that are required to be lodged in a quotation box.

12.8 *Consideration and Acceptance of Quotations*

(i) All orders in respect of formal written price quotations shall be approved and released by the Ulundi Local Municipal Manager or his delegated authority.

13 WRITTEN PRICE QUOTATIONS

13.1 *General*

(i) Where the Ulundi Local Municipality intends to procure any goods or services, which involves a transaction value over R2, 000 and up to R10, 000, written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the supplier database, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria referred to in this Policy.

(ii) A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.

(iii) If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Chief Financial Officer who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.

(iv) The names of the potential providers requested to provide quotations and their written quotations must be recorded.

(v) All orders in respect of written price quotations shall be approved and released by the Ulundi Local Municipal Manager, or his delegated authority.

13.2 *Petty Cash Purchases*

(i) General:

(a) Where there is a need to purchase any goods or services using a petty cash system, which involves a transaction value up to R2 000, the Ulundi Local Municipality 's Procedures and Guidelines for Petty Cash Purchases shall be adhered to.

(b) The delegated official responsible for petty cash must compile monthly reconciliation report for the Chief Financial Officer, which must include the total amount of petty cash purchases for that month and receipts and appropriate documents for each purchase.

14 APPOINTMENT OF CONSULTANTS

14.1 *General*

(i) In the procurement of consulting services cognisance should be taken of any National Treasury guidelines in this respect or of Construction Industry Development Board Guidelines in respect of services relating to the built environment and construction works.

14.2 *Procurement Process (over R200,000.00)*

(i) Where the estimated value of the fees exceeds R200, 000.00 or where the duration of the appointment will exceed one year, consulting services shall be procured through a competitive bidding process.

14.3 *Procurement Process (up to R200,000.00)*

(i) Where the estimated value of the fees is less than or equal to R200,000.00 and the duration of the appointment is less than one year, the selection of a consultant to provide the required service shall follow a written price quotation or a formal written price quotation procedure as described in this Policy.

(ii) A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.

14.4 *Single-Source Selection*

(i) National Treasury Guidelines provide for single-source selection in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of the Ulundi Local Municipality and the project.

(ii) Single-source selection may be appropriate only if it presents a clear advantage over competition:

(a) for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
(b) where rapid selection is essential;
(c) for very small appointments;
(d) when only one consultant is qualified, or has experience of exceptional worth for the project.

(iii) The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of R200,000.00 or less, such award shall be approved by the Chief Financial Officer.

15 DEVIATION FROM THE PROCUREMENT PROCESSES

15.1 *General*

(i) The Municipal Manager may dispense with the official procurement processes established by this Policy, and procure any required goods or services through any convenient process, which may include direct negotiation, but only in respect of:

(a) Any contract relating to an emergency (as described in clauses 10.15(1.2)(a) and 10.15(1.2)(b) below) where it would not be in the interests of the Ulundi Local Municipality to invite bids,
(b) Any goods or services which are available from a single provider only,
(c) The acquisition of animals for zoos, or
(d) The acquisition of special works of art or historical objects where specifications are difficult to compile;
(e) Any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including:
  (1) Any purchase on behalf of the Ulundi Local Municipality at a public auction sale;
  (2) Any contract in respect of which compliance therewith would not be in the public interest;
  (3) Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and

(ii) The Ulundi Local Municipal Manager may condone a deviation from the procurement processes, provided that such deviation is limited to the circumstances referred to in clause 289.

15.2 *Emergency Dispensation*

(i) The conditions warranting Emergency dispensation should include the existence of one or more of the following:
(a) The possibility of human injury or death;
(b) The prevalence of human suffering or deprivation of rights;
(c) The possibility of damage to property, or suffering and death of livestock and animals;
(d) The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Ulundi Local Municipality as a whole;
(e) The possibility of serious damage occurring to the natural environment;
(f) The possibility that failure to take necessary action may result in the Ulundi Local Municipality not being able to render an essential community service; and
(g) The possibility that the security of the state could be compromised.

(ii) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.

(iii) Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted, via the Bid Adjudication Committee, to the Ulundi Local Municipal Manager for approval. However,

where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the Ulundi Local Municipal Manager as soon as possible thereafter.

15.3 *Unsolicited Bids*

(i) The Ulundi Local Municipality is not obliged to consider any unsolicited bids received outside of the normal bidding process.

(ii) The Ulundi Local Municipality may only consider an unsolicited bid if the following have been complied with:
   (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
   (b) the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, the Ulundi Local Municipality ;
   (c) the person or entity that made the bid is the sole provider of the product or service; and
   (d) the reasons for not going through the normal bidding processes are found to be sound by the Municipal Manager. In this regard a report must be submitted to the Municipal Manager seeking approval to take the unsolicited bid process further.

(iii) If the Municipal Manager considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with section 21A of the Systems Act together with:
   (a) reasons as to why the bid should not be open to other competitors;
   (b) an explanation of the potential benefits for the Ulundi Local Municipality were it to accept the unsolicited bid; and
   (c) an invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.

(iv) Details of the unsolicited bid, together with any written comments received pursuant to clause 296.3 as well as any responses from the bidder, shall be submitted to the provincial, National Treasury and Auditor General for comment.

(v) The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public and any written comments or recommendations of the provincial, National Treasury or Auditor General for consideration.

(vi) The Accounting Officer may award the bid in respect of any amount.

(vii) Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public.

(viii) If any recommendations of the Provincial, National Treasury or Auditor General are rejected or not followed, the Municipal Manager shall submit to the Auditor-General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. Such submission shall be made **within 10 working** days of the decision to award the unsolicited bid.

(ix) No contract committing the Ulundi Local Municipality to the bid may be entered into or signed **within** 14 (thirty) days of the award. On condition that an Intention to Award may be issued instantly pending the cooling off period.

15.4 *Ratification of Minor Breaches of the Bid Processes*

(i) The Ulundi Local Municipal Manager may ratify any minor breaches of the procurement processes, which are purely of a technical nature, by an official or committee acting in terms of delegated powers or duties.

15.5 *Obligation to Report*

(i) The reasons for all deviations shall be recorded and reported by the Municipal Manager to the Council at the next Council meeting, and shall be included as a note to the Annual Financial Statements.

16 LOGISTICS MANAGEMENT SYSTEM

16.1 *Introduction*

(i) Logistics management must provide for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, and maintenance and contract administration.

16.2 *Placing of Orders*

(i) Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations.

(ii) All purchase orders will be captured on the Ulundi Local Municipality's Accounting records system exclusive of VAT.

(iii) Standing or long term orders will be used in cases where longer term arrangements, necessitating interim payments, are required.

16.3 *Receiving of Goods*

(i) Goods received will be captured on the Ulundi Local Municipality`s Financial Management system via a Goods Received Note with reference to the relevant purchase order. Where applicable, the Finance Department's Assets Section (for asset creation) and Insurance Section (for claims) will be informed of the purchase via the Ulundi Local Municipality's Financial Management system, at the end of the procurement process, in terms of other applicable policies.

(ii) Deliveries of goods may not exceed the order quantity. Short deliveries will keep the purchase order open until the balance of the order is received or cancelled.

16.4 *Expediting Orders*

(i) The purchasing expeditor will be required to monitor and expedite outstanding purchase orders.

(ii) Reminder letters can be communicated automatically to vendors based on the reminder levels (days before delivery due date) that are set in the purchase order.

16.5 *Transport Management*

(i) The Ulundi Local Municipality's Fleet Management Policy must be adhered to at all times.

16.6 *Vendor Performance*

(i) The Accounting system will enable system-based evaluation, based on the vendors' performance with regard to certain pre-determined criteria.

(ii) This information will be available for future evaluation purposes, contract negotiations and regular feedback to the vendors.

16.7 *Contract Administration*

(i) Contract administration includes all administrative duties associated with a contract that has arisen through one of the acquisition/procurement processes described in this policy.

(ii) All contracts must be administered by a contract manager, who will be an internal official assigned to ensure the effective administration of the contract. The contract manager will typically be the internal project manager assigned to the project as a whole, but may also be a cost centre owner or other responsible official.

(iii) A contract manager must be assigned to each contract and, where possible, should be involved from the earliest stages of the acquisition process.

(iv) The contract manager's duties and powers shall be governed by the conditions of contract and the general law.

(v) In administering a contract, the contract manager will be required to form opinions and make decisions which, while in the Ulundi Local Municipality's best interests, must be fair to all parties concerned.

(vi) Departmental Heads (Directors) shall be responsible for ensuring that contract managers:
   (a) are assigned to all contracts within the Department Head's area of responsibility;
   (b) Are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.

(vii) The contract manager shall:

(a) ensure that all the necessary formalities in signing up the contract and/or issuing the purchase order(s) are adhered to;
(b) ensure that contracts related to the procurement of goods and services are captured on the Ulundi Local Municipality 's SAP system in the form of a price schedule;
(c) ensure that all original contract documentation is lodged with the Supply Chain Management Department for record purposes;
(d) monitor the performance of the contractor in order to ensure that all of the terms and conditions of the contract are met;
(e) where necessary, take appropriate action where a contractor is underperforming or is in default or breach of the contract;
(f) where appropriate, authorise payments due in terms of the contract by processing payment certificates (if applicable), and ensuring that the necessary Service Entry Sheets or Goods Received Notes are captured on the Ulundi Local Municipality 's SAP system;
(g) manage contract variation or change procedures;
(h) administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;
(i) conduct, as appropriate, post contract reviews;
(j) maintain adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
(k) Act with care and diligence and observe all accounting and legal requirements.

16.8 *Stock Logistics*

(i) Valuation of Stock:

(a) Stock is valued on the First in First Out (FIFO) basis per plant and is VAT exclusive.
(b) Input VAT is claimed upon purchase and output VAT is accounted for at the time of issue according to the accounting policy.

(ii) Setting of Inventory Levels:

(a) Stock items shall be systematically replenished using the re-order point planning strategy.
(b) Open reservations shall be taken into account during the replenishment run.

(iii) Issuing of Stock:

(a) Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centres, projects and assets under construction.

(iv) Stock Replenishment:

(a) Purchase orders will be created, where applicable, with reference to replenishment requisitions in respect of term supply contracts for goods.
(b) Replenishment requisition approvals will be systems based.
(c) All replenishment will be effected via the Acquisition Management System.

(v) Stores Management:

(a) The stores function shall be decentralised in different sections and will operate under the jurisdiction of the Supply Chain Management Unit.

(b) The Supply Chain Management Unit must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

17 *DISPOSAL MANAGEMENT SYSTEM*

17.1 *Goal*

(i) To give effect to:

(a) Regulation 40 of the Supply Chain Management Regulations which requires an effective system for the disposal of letting of assets including unserviceable, redundant or obsolete assets, and
(b) The Municipal Asset Transfer Regulations, subject to sections 14 and 90 of the Municipal Finance Management Act (MFMA) and any other applicable legislation.

(ii) As far as possible, assets to be disposed of must be made available to recycling. Disposal to landfill is not allowed unless no recycling options are available.

17.2 *Disposal Management System*

(i) Subject to the provisions of the Municipal Asset Transfer Regulations:

(a) moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Ulundi Local Municipality ;
(b) immovable property may:
(1) be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
(2) let only at market related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees or other charges relating to the letting of immoveable property are annually reviewed;

(ii) In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment;

(iii) In the case of fire arms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person within or outside the Republic.

17.3 *Transfer or Permanent Disposal of Assets and the Granting of Rights*

(i) Non-exempted capital assets shall be transferred or permanently disposed of strictly in accordance with Chapter 2 of the Municipal Asset Transfer Regulations.

(ii) Exempted capital assets shall be transferred strictly in accordance with Chapter 3 of the Municipal Asset Transfer Regulations.

(iii) The granting of rights (where sections 14 and 90 of the MFMA do not apply) by the Ulundi Local Municipality, shall be executed strictly in accordance with Chapter 4 of the Municipal Asset Transfer Regulations.

18 RISK MANAGEMENT SYSTEM

The risks pertaining to Supply Chain Management should at all times comply with the criteria laid down in the risk management policies of the Ulundi Local Municipality.

18.1 *General*

(i) Risk Management shall provide for an effective system for the identification, consideration and avoidance of potential risks in the Ulundi Local Municipality's Supply Chain Management system.

(ii) Managing risk must be part of the Ulundi Local Municipality's philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.

(iii) Risk Management shall be an integral part of effective management practice.

18.2 *The Risk Management Process*

(i) The risk management process shall be applied to all stages of Supply Chain Management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.

(ii) Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.

(iii) Appropriate risk management conditions should therefore be incorporated in contracts.

18.3 *Key Principles*

(i) The key principles on managing risk in Supply Chain Management include:

(a) Early and systematic identification of risk on a case-by-case basis, analysis and assessment of risks, including conflicts of interest and the development of plans for handling them;

(b) Allocation and acceptance of responsibility to the party best placed to manage risk;

(c) Management of risks in a pro-active manner and the provision of adequate cover for residual risks;

(d) Assignment of relative risks to the contracting parties through clear and unambiguous contract documentation;

(e) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it; and

(f) Ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to the Ulundi Local Municipality's operations.

19 *PERFORMANCE MANAGEMENT SYSTEM*

19.1 The Municipal Manager must establish and implement an internal monitoring system in order to determine the basis of a retrospective analysis whether the authorised Supply Chain Management processes were followed and whether the objectives of this Policy were achieved.

19.2 Performance management shall accordingly be characterised by a monitoring process and retrospective analysis to determine whether:
(i) value for money has been attained;
(ii) Proper processes have been followed;
(iii) Desired objectives have been achieved;
(iv) There is an opportunity to improve the process;
(v) Suppliers have been assessed and what that assessment is; and
(vi) There has been deviation from procedures and, if so, what the reasons for that deviation are.

19.3 The performance management system shall accordingly focus on, amongst others:
(i) achievement of goals;
(ii) compliance to norms and standards;
(iii) savings generated;
(iv) cost variances per item;
(v) non-compliance with contractual conditions and requirements; and
(vi) The cost efficiency of the procurement process itself.

20 CODE OF ETHICAL STANDARDS

20.1 *General*

(i) In addition to this Code of Ethical Standards, the codes of conduct for municipal councillors and employees shall apply in the application of this Supply Chain Management Policy.

(ii) A code of ethical standards is hereby established for officials and all role players in the Supply Chain Management system in order to promote:
- (a) mutual trust and respect; and
- (b) An environment where business can be conducted with integrity and in a fair and reasonable manner.

(iii) An official or other role player involved in the implementation of the Supply Chain Management policy:
- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350; all gifts must be entered in the gift register.
- (d) notwithstanding clause 15.1(3)(a), must declare to the Municipal Manager details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) Must declare to the Municipal Manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Ulundi Local Municipality ;
- (f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) Must be scrupulous in his or her use of property belonging to the Ulundi Local Municipality ;
- (h) Must assist the Municipal Manager in combating fraud, corruption, favouritism and unfair and irregular practices in the Supply Chain Management system; and
- (i) must report to the Municipal Manager any alleged irregular conduct in the Supply Chain Management system which that person may become aware of, including;
  - (1) any alleged fraud, corruption, favouritism or unfair conduct;
  - (2) any alleged contravention of this policy; or
  - (3) Any alleged breach of this code of ethical standards.

(iv) Declarations in terms of clause 350.5 must be recorded in a register which the Municipal Manager must keep for this purpose.

(v) The Municipality has adopted the National Treasury's code of conduct for Supply Chain Management practitioners and other role players involved in Supply Chain Management. This code of conduct is binding on all officials and other role players involved in the implementation of the Supply Chain Management policy.

(vi) A copy of the National Treasury code of conduct is available on the website **www.treasury.gov.za/mfma** located under "legislation".

(vii) A breach of the code of conduct adopted will be dealt with in accordance with schedule 2 of the Municipal Systems Act.

20.2 *Inducements, Rewards, Gifts and Favours*

(i) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:

(ii) Any inducement or reward to the Ulundi Local Municipality for or in connection with the award of a contract; or

(iii) Any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the Supply Chain Management policy.

(iv) The Municipal Manager must promptly report any alleged contravention of clause 355 to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(v) Clause 15.1(3)(c), does not apply to gifts less than R350 in value or gifts from a single source in any calendar year that does not exceed R800 in value.

20.3 *Sponsorships*

(i) The Municipal Manager must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:
(a) A provider or prospective provider of goods or services; or
(b) A recipient or prospective recipient of goods disposed or to be disposed.

20.4 *Objections and Complaints*

(i) Persons aggrieved by decisions or actions taken in the implementation of this Supply Chain Management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

20.5 *Resolution of Disputes, Objections, Complaints and Queries*

(i) The Municipal Manager shall appoint an independent and impartial person not directly involved in the supply chain to assist in the resolution of disputes between the Ulundi Local Municipality and other persons regarding:
   (a) any decisions or actions taken in the implementation of the Supply Chain Management system; or
   (b) any matter arising from a contract awarded in the course of the Supply Chain Management system; or
   (c) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(ii) The Municipal Manager, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.

(iii) The person appointed must;
   (a) strive to resolve promptly all disputes, objections, complaints; or
   (b) queries received; and
   (c) Submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.

(iv) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if;
   (a) the dispute, objection, complaint or query is not resolved within 60 days; or
   (b) No response is forthcoming within 60 days then the procedure as outlined in the Bids Appeal procedures may be invoked.

21 PREFERENTIAL PROCUREMENT

21.1 *Introduction*

(i) The following procurement strategies are addressed in this section:

   (a) The application of a preference point system for Exempted Micro Enterprises and B-BBEE Contributors in terms of the Preferential Procurement Regulations, ~~2011~~ 2017.
   (b) the stipulation, in bid documentation, of minimum thresholds for local production and content in accordance with directives issued by the National Treasury and Department of Trade and Industry.
   (c) The unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities is made available to suppliers, service providers and construction contractors of various sizes.
   (d) The use of functionality/quality, where appropriate, in procurement processes in order to ensure that goods supplied are fit for purpose, or that a minimum level of experience and competence in respect of service providers or construction contractors is attained.
   (e) The increase of employment opportunities by encouraging the use of labour intensive technologies.
   (f) The targeting of labour and/or enterprises from specific areas within the boundaries of the Ulundi Municipal area.

(ii) Preferential procurement is further enhanced by provisions aimed at improved access to information, simplification of documentation, reduced performance guarantee requirements, reduced retention, reduced payment cycles and good governance.

21.2 *Objective*

(i) The aim of this section of the Ulundi Local Municipality's Supply Chain Management Policy is to give effect to, and to ensure compliance with, all applicable legislation and national directives in respect of Preferential Procurement and Broad-Based Black Economic Empowerment.

21.3 *Performance Management*

(i) The level of B-BBEE contribution achieved by the Ulundi Local Municipality through the application of this policy will be monitored in terms of the Supply Chain Management performance management system.

21.4 *Preferential Procurement System*

(i) Key Principles:

(a) The key principles of this system are:
(1) the application of an **80/20** preference point system for procurement (competitive bids or quotations) with a **Rand value of greater than R30 000 but less than or equal to R50 000 000**;
(2) the application of a **90/10** preference point system for procurement (competitive bids) with a **Rand value greater than R50 000 000**;
(3) That bids may be declared non-responsive if they fail to achieve a minimum score for functionality (quality), if indicated in the bid documents.

(b) The preference point system shall be used in the evaluation of responsive bids for the purposes of determining preferred/recommended bidders, and for the adjudication thereof.

(c) The preference point system is not applicable to petty cash purchases.

(ii) Planning and Stipulation of Preference Point System:

(a) Prior to embarking on any procurement process, the Responsible Agent must properly plan for, and, as far as possible, accurately estimate the cost of the goods, services or construction works for which bids are to be invited.

(b) The Responsible Agent shall determine the appropriate preference point system to be used in the evaluation and adjudication of bids, and shall ensure that such is clearly stipulated in the bid documentation.

(c) The Responsible Agent shall determine whether the goods, services or construction works which are to be procured, have been designated for local production and content by the National Treasury or Department of Trade and Industry, in which case the requirements of clauses 16.4.7(1) to 16.4.7(7)shall be followed.

(iii) Evaluation of Bids on Functionality (Quality):

(a) Functionality (otherwise known as quality) may be included in the bid evaluation process as a qualifying (eligibility) criterion.

(b) If a bid is to be evaluated on functionality, this must be clearly stated in the invitation to submit a bid, and in the bid documentation.

(c) The evaluation criteria for measuring functionality must be objective.

(d) When evaluating bids on functionality the:

(1) evaluation criteria for measuring functionality;
(2) weight of each criterion;
(3) applicable values; and
(4) Minimum qualifying score for functionality, must be clearly stipulated in the bid document.

(e) The norm for the minimum qualifying score for functionality shall be 60% of the total possible score. For more specialised or complex projects the minimum score may, at the discretion of the Bid Specification Committee, be increased to up to 70% of the total possible score. The setting of a minimum score any higher than 70% of the total possible score must be motivated to, and approved by, the Accounting Officer or Chief Financial Officer prior to use.

(f) If a bid fails to achieve the minimum qualifying score for functionality as indicated in the bid document, it must be regarded as non-responsive, and be rejected (not considered any further in the evaluation process).

(g) Bids that have achieved the minimum score for functionality, and passed any other responsiveness tests, must be evaluated further in terms of the preference point system prescribed below.

(iv) Evaluation and Adjudication of Bids:

(a) General

(1) An 80/20 preference point system is stipulated for bids with a Rand value of greater than R30 000, but less than or equal to R500 000, and a 90/10

preference point system of procurement with a Rand value of greater than R50 000 000.

(2) This means that either 80 or 90 points, depending on the Rand value of the bid, will be awarded to the person who offers the lowest price, and proportionately fewer points are awarded to those with higher prices. Either 20 or 10 points are then available as preference points for Exempted Micro Enterprises or B-BBEE contributors, as applicable.

(v) Cancellation and Re-invitation of Bids:

(a) In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed a value of R50 000 000, the bids must be cancelled.

(b) If one or more of the acceptable bids received are within the prescribed threshold of R30 000.00 to R50 000 000, 00 all bids received must be evaluated on the 80/20 preference point system.

(c) In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to, or below R50 0000 000, 00 the bids must be cancelled.

(d) Due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;

(e) Funds are no longer available to cover the total envisaged expenditure;

(f) No acceptable tender is received; or

(g) There is a material irregularity in the tender process

(h) If one or more of the acceptable bids received are above the prescribed threshold of R50 000 000,00 all bids received must be evaluated on the 90/10 preference point system.

(i) Bids cancelled in terms of clauses 16.4.4(2)(i) and 16.4.4(2)(iii)above, must be re-invited, with the correct preference point system clearly stipulated in the bid documents. *The 80/20 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works up to a Rand Value of R50 000 000.00*

The decision to cancel a tender invitation in terms of regulation must be published in the same manner in which the original tender invitation was advertised.

Ulundi Municipality may only with the prior approval of the relevant treasury cancel tender invitation for the second time.

(j) The following formula must be used to calculate the score out of 20 points for price in respect of bids (including price quotations) with a Rand value of greater than R30 000 and up to a Rand value of R50 000 000.00 (all applicable taxes included):

$$Ps = 80\ [1 - \frac{(Pt - Pmin)}{Pmin}]$$

Where:
Ps = Points scored for comparative price of the bid under consideration;
Pt = Comparative price (corrected, if applicable, exclusive of VAT) of the bid under consideration; and
Pmin = Comparative price (corrected, if applicable, exclusive of VAT)) of lowest responsive bid.

(k) The nomenclature used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.

(l) Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B-BBEE status level of contributor in accordance with the tables below.

BBBEE Status Level of Contributor	Number of Points for preference
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant	0

(a) Or, in respect of Exempted Micro Enterprises (EMEs)

~~Black Ownership of~~	~~Deemed B-BBEE Status~~	~~Number of Points for~~
~~EME~~	~~Level of Contributor~~	~~Preference~~
~~> 50%~~	~~3~~	~~16~~

~~≤ 50%~~	4	~~12~~

(b) ~~The~~ points for preference scored by a bidder in terms of above clause must then be added to the points for price scored, in order to obtain the total number of adjudication points scored for each responsive bid.

(c) The contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points. *The 90/10 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works with a Rand Value above R50 000 000*

(a) The following formula must be used to calculate the score out of 10 points for price in respect of bids (including price quotations) with a Rand value of greater than
(b) R50 000 000.00 (all applicable taxes included):

$$Ps = 90\ [1 - \frac{(Pt - Pmin)]}{Pmin}$$

Where:
Ps = Points scored for comparative price of the bid under consideration;
Pt = Comparative price (corrected, if applicable, exclusive of VAT) of the bid under consideration; and
Pmin = Comparative price (corrected, if applicable, exclusive of VAT)) of lowest responsive bid.

(c) The nomenclature used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.

(d) Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B-BBEE status level of contributor in accordance with the tables below.

BBBEE Status Level of Contributor	Number of Points for preference
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non-compliant	0

(vi) B-BBEE Status Level Certificates:

(a) In order to qualify for preference points referred to above, Exempted Micro Enterprises must have submitted, to the Ulundi Local Municipality, a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency, confirming their status as such.

(b) Bidders other than Exempted Micro Enterprises must submit, to the Ulundi Local Municipality , their original and valid B-BBEE status level verification certificate, or a certified copy thereof, substantiating their B-BBEE status level of contributor.

(c) The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.

(d) Bidders who fail to submit the required certificates, or certified copies thereof, will be deemed to be non-compliant contributors.

(e) Where specific sector charters have been gazetted in terms of the B-BBEE Act, bid documentation for procurement from within such sectors, must specify that only persons verified in terms of the particular sector charter (or Code of Good Practice), or Exempted Micro Enterprises, will qualify for a preference. A status level of contributor in respect of generic Codes of Good Practice will not, in such circumstances, qualify for any preference.

(f) Where no specific sector charter has been gazetted, persons other than Exempted Micro Enterprises must be verified in terms of the gazetted generic Codes of Good Practice in order to qualify for a preference.

(g) For the purposes of transparency, bidders shall, in respect of all competitive bids (over R200 000), be required to claim, in their bid submission, a preference in accordance with their B-BBEE status.

(h) Notwithstanding what is contained in the bid submission, preference points will be allocated during the bid evaluation process in accordance with the verified B-BBEE status level (or deemed status level) of contributor.

(i) Conditions Relating to the Granting of Preferences

(1) Bidders must, in the manner stipulated in the bid documentation, declare that:
   (a) the information provided is true and correct;
   (b) the signatory to the bid document is duly authorised; and
   (c) Documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the Ulundi Local Municipality.

(2) Only bidders who have completed and signed the necessary declarations may be considered.

(3) The Bid Evaluation Committee must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.

(4) A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected.

(5) A trust or joint venture will qualify for preference points for their B-BBEE status level as a legal entity, provided that the entity has submitted its verified B-BBEE status level certificate (or certified copy thereof) to the Ulundi Local Municipality .

(6) A trust or joint venture will qualify for preference points for their B-BBEE status level as an unincorporated entity, provided that the entity has submitted its consolidated B-BBEE scorecard as if it is a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid. The consolidated B-BBEE scorecard must be submitted in the form of a certificate issued by an accredited verification agency (or a certified copy thereof).

(7) A bidder may not be awarded points for B-BBEE status level if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that the bidder qualifies for, unless the intended sub-contractor is an Exempted Micro Enterprise that has the capability and ability to execute the sub-contract.

(8) A bidder that has been awarded a contract may not sub-contract more than 25% of the value of the contract to enterprises that do not have an equal or higher B-BBEE status level than the bidder concerned, unless the subcontractors are Exempted Micro Enterprises that have the capability and ability to execute the sub-contract. Compliance with this particular requirement must be monitored by the Responsible Agent during the execution of the contract.

(9) If a service is required that can only be provided by tertiary institutions, such services must be procured through a bidding process from the identified tertiary institutions.

(10) The tertiary institutions referred to in clause 416 above, must submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.

(11) If a service is required that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a service provider/contractor must be done by means of a competitive bidding process.

(12) Public entities must submit their B-BBEE status in terms of the specialized scorecard contained in the gazetted B-BBEE Codes of Good Practice.

~~**Subcontracting as condition of tender**~~

Pre-Qualification criteria for preferential procurement

12.1 If feasible to subcontract for a contract above R30 million, Ulundi Local Municipality must apply subcontracting to advance designated groups. The Ulundi Municipality must advertise tender with a specific tendering condition that only one or more of the following tenderers may respond:

2. If Ulundi Local Municipality applies subcontracting as contemplated in regulation successful tender must subcontract a minimum of 30% of the value of the contract to:

(a) an EME or QSE;
(b) an EME or QSE which is at least 51% owned by black people;
(c) an EME or QSE which is at least 51% owned by black people who are youth;
(d) an EME or QSE which is at least owned by black people who are woman;
(e) an EME or QSE which is at least 51% owned by black people with disabilities;
(f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
(g) a cooperative which is at least 51% owned by black people;
(h) an EME or QSE which is at least 51% owned by black people who are military veterans; or
(i) more than one of the categories referred to in paragraphs (a) to (h).

A TENDER THAT FAILS TO MEET ANY PREQUALIFYING CRETERIA STIPULATED IN THE TENDER DOCUMENTS IS AN UCCEPTABLE TENDER

3 Ulundi Municipality must make available the list of all suppliers registered on a database approved by the National treasury to provide the required goods or services in respect of the applicable designate groups mentioned in sub regulation 2 from which the tenderer must select a supplier.

(vii) Local Production and Content:

(a) The National Department of Trade and Industry is empowered to designate industry sectors, in line with national development and industrial policies for local production, where only locally produced goods, services or construction works, or locally manufactured goods that meet a stipulated minimum threshold for local production and content, may be used.

(b) In the case of designated sectors, where in the award of bids, local production and content is of critical importance, such bids must be advertised with a specific condition of bidding, that only locally produced goods, services or construction works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.

(c) Any instructions, circulars and guidelines issued by National Treasury in the above regard must be complied with.

(d) Where there is no designated sector, bids may include, as a specific condition of bidding, that only locally produced goods, services or construction works, or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.

(e) Every bid issued in terms of clauses 16.4.7(2) to 16.4.7(3) must be measurable and audited.

(f) Where necessary, for bids referred to in clauses 16.4.7(2) to 16.4.7(3), a two-stage bidding process may be followed, where the first stage involves functionality and minimum threshold for local production and content, and the second stage price and B-BBEE level of contribution, with the possibility of price negotiations only with the short listed bidder/s.

(g) A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

(viii) Other Specific Goals - Unbundling Strategies

(a) In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.

(b) Unbundling must however be considered in the context of:
(1) economies of scale being lost;
(2) abortive work becoming necessary;
(3) additional demands (not only financial) being placed on the Ulundi Local Municipality 's resources; and
(4) The risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

(c) Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly.

(d) It is important to note that while it is the Ulundi Local Municipality's policy to procure goods, services or construction works in the smallest practicable quantities, the practice of parcelling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.

(ix) Other Specific Goals - Increasing Employment Opportunities

(a) One of the Ulundi Local Municipality's key socio-economic objectives is to facilitate the creation of employment for the people of Ulundi.

(b) Increasing employment opportunities through procurement may be achieved by specifying labour intensive technologies and/or methods of construction in the bid documents.

(c) It is up to Responsible Agents to thoroughly investigate the options available in the above regard, to evaluate the positive versus negative impact of any proposals, and to specify labour intensive technologies and/or methods where appropriate.

(d) All labour earning less than a threshold wage, determined in accordance with National Guidelines, that is employed for the provision of services or construction works for the Ulundi Local Municipality, shall be reported in the prescribed format, on a monthly basis, to the Corporate Services Expanded Public Works Programme (EPWP) section.

(x) Other Specific Goals - Targeted Labour and/or Targeted Enterprises

(a) The targeting of labour and/or enterprises from specific areas within the boundaries of the Ulundi Municipal area may be achieved, where appropriate, by specifying in the bid documents, a minimum level of participation (a contract participation goal) that must be achieved in respect of targeted labour and/or targeted enterprises in the performance of the contract.

(b) Specified contract participation goals must be measurable and achievable, and the performance in respect of which must be monitored by the Responsible Agents during the execution of the contract.

(c) Where a minimum contract participation goal has been specified in respect of targeted labour and/or enterprises, the contractor is obliged to meet that goal, and must be penalised if he or she does not.

(d) Contract participation goals in respect of targeted labour and/or enterprises may not be introduced into the preference point system used for the evaluation of bids.

(xi) Remedies - Action in Respect of Fraud or Non-performance

(a) The Municipal Manager must, upon detecting that the B-BBEE status level of contribution has been claimed or obtained on a fraudulent basis, or that any of the

conditions of the contract have not been fulfilled, act against the bidder or person awarded the contract.

(b) If the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tender must be penalised 10 percent of the value of the contract ; and

(c) The tender will not be listed by the National Treasury;

(d) The Municipal Manager may, in addition to any other remedy that he may have against the bidder or person awarded the contract:

(1) disqualify the person from the bidding process;

(2) recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct;

(3) cancel the contract and claim any damages which the Ulundi Local Municipality has suffered as a result of having to make less favourable arrangements due to such cancellation;

(4) restrict the bidder or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis, from obtaining business from the Ulundi Local Municipality for a period not exceeding 10 years, after the audi alteram partem (hear the other side) rule has been applied; and

(5) Forward the matter for criminal prosecution.

(xii) Remedies - Calculation of Penalties

(a) Penalties for failure to comply with specific terms and conditions of the contract must be clearly stipulated in the bid/contract document and must be applied should the terms or conditions not be met.

(b) The penalty to be applied for sub-contracting more than 25% of the value of a contract to enterprises that do not qualify for at least the preference points that the prime contractor qualified for (unless the sub-contractors are Exempted Micro Enterprises) shall be as provided for in any prescribed standard contract documentation, failing which the following formula shall be stipulated:

Penalty = 0.5 × E(%) × P*

Where: **E** = The value of work (excluding VAT), executed by sub-contractors that do not qualify for at least the preference points that the prime contractor qualified for, expressed as a percentage of P*, less 25%

P* = Accepted bid sum less provisional sums, contingencies and VAT.

(c) The penalty to be applied for non-compliance with a specified contract participation goal, is as follows:

Penalty = (CPGs - CPGa) x P*

Where: **CPGS** = the minimum Contract Participation Goal Specified (expressed as a percentage).

GPG[a] = The Contract Participation Goal achieved (Expressed as a percentage).

P* = Accepted bid sum less provisional sums, Contingencies and VAT.

(xiii) Documentation

(a) Within the context of preferential procurement, one of the strategies to encourage and assist entry into Local Government procurement by emerging businesses is to simplify and/or standardise bid/contract documentation wherever possible.

(b) To this end, the Ulundi Local Municipality will prepare a suite of standard documentation and, where appropriate, simplified bid/contract documents for use in the Ulundi Local Municipality's procurement process as and where applicable.

(c) Where standard bid/contract documentation is prescribed in terms of legislation (the CIDB Standard for Uniformity, for example) such standard documentation must be used for the procurement of goods, services and/or construction works, as applicable.

(xiv) Guarantees for Due Performance

(a) Performance guarantees for the procurement of goods and services (including consultant services) will not generally be called for, but in exceptional circumstances, where required, will be in accordance with the limits set for construction works below.

(b) The performance guarantees required for construction works are as follows:
(1) In respect of a Rand value less than or equal to R1,000,000: **waived** (that is, no performance guarantee is required);
(2) In respect of a Rand value exceeding R1,000,000, but less than or equal to R10,000,000 : **5%** of the bid sum;
(3) In respect of a Rand value exceeding R10,000,000: **7%** of the bid sum; unless otherwise provided for in the standard conditions of contract prescribed.

(c) The value of the performance guarantee required may be increased with approval of the Chief Financial Officer.

(xv) Retention

(a) Retention for procurement of goods and services (including consultant services) will not generally be called for, but where required, will be in accordance with the limits set for construction works below.

(b) The value of retention to be deducted in respect of construction works contracts shall be as follows:
(1) In respect of a Rand value less than or equal to R100 000 : No retention is called for;
(2) In respect of a Rand value exceeding R200 000, but less than or equal to R1000 000 : 10% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period;
(3) In respect of a Rand value exceeding R1 000 000 : 5% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period; unless otherwise provided for in the standard conditions of contract prescribed.

(c) Where consultant services are to be completed at the end of the defects liability period in respect of a construction contract, the value of this work (typically 5%) may be invoiced at the end of the construction period, but shall be held as retention until the completion of the service (typically, an end of defects liability period inspection and the preparation of the final account).Alternatively, the value of this work must be budgeted for in the following financial year.

(d) The above retention limits may be increased with the approval of the Chief Financial Officer.

(e) Financial guarantees in lieu of retention are, in general, not acceptable. Any motivation for the acceptance of a retention guarantee must be approved by the Chief Financial Officer.

(xvi) Payment Terms for Goods and Services

(a) All invoices received for goods, services and construction related contracts (including professional services) will be paid within the time stipulated in the MFMA no. 56 of 2003 section 65 (2)(e) that all invoices will be paid within 30 of receiving the relevant invoice.

(xvii) Preferential Procurement Regulations, 2011

(a) Where this Policy does not provide for a matter regulated by the Preferential Procurement Regulations, 2011 and 2017, the provisions of the regulations will prevail in respect of a "tender" as defined in the regulations.

ULUNDI LOCAL MUNICIPALITY POLICY IS IN KEEPING WITH SCM REGULATIONS, GUIDELINES BY NATIONA TREASURY TOGETHER WITH THE PREFFERENTIAL PROCUREMENT REGULATIONS, 2017 EFFECTED ON THE 1ST OF APRIL 2017

EFFECTIVE DATE

This policy will be effective from the date approved by Council of the Ulundi Local Municipality